

UNITED STATES OF AMERICA  
Before The  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes, 2000)


Docket No. R2000-1

OFFICE OF THE CONSUMER ADVOCATE  
INTERROGATORIES TO UNITED STATES POSTAL SERVICE  
WITNESS PATELUNAS (OCA/USPS-ST44-13-32)  
JULY 20, 2000

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Pursuant to Sections 26 and 27 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. These interrogatories are submitted for the purpose of the development of changes to the OCA's direct case-in-chief in supporting revisions to test year forecasts and for the development of rebuttal testimony. Instructions included with OCA interrogatories OCA/USPS-1-14 dated January 24, 2000, are hereby incorporated by reference.

Respectfully submitted,



TED P. GERARDEN

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OCA/USPS-ST44-13. Please refer to the Attachment to this interrogatory. The Attachment compares the “after-rates” effects on costs for the “Statements of Revenue and Expense” filed by witness Tayman as Exh. USPS-9A on January 12, 2000, with the “Statements of Revenue and Expense” filed by you as Exh. USPS-ST-44A on July 7, 2000. This question focuses on the marked difference in the “after-rates” effect on the “Clerks and Mailhandlers” cost segment as compared to all the other segments.

- (a) Please explain in full why the “after-rates” effect on Clerks and Mailhandlers costs is so slight in your exhibit (a 0.9% after-rates effect) versus a 1.7% after-rates effect in witness Tayman’s exhibit. (Observe from the Attachment that no other cost segment displays this phenomenon.)
- (b) If this effect is due to a non-volume-variable “cost reduction” or “other program” change, please so state. Also, provide citations to your testimony or exhibits, or any Postal Service library references, that shed light on this phenomenon.
- (c) If this effect is due to a “cost reduction” or “other program” change, explain what distribution key was used to distribute the change to the classes and subclasses.

**Attachment to Interrogatory  
OCA/USPS-ST-44-13**

	PATELUNAS				TAYMAN			
	TYBR	TYAR	Difference	%	TYBR	TYAR	Difference	%
Postmasters	1839.5	1832.8	6.7	0.4%	1876.3	1869.4	6.9	0.4%
Managers, Supervisors & Technical	3830.5	3790.9	39.6	1.0%	3822	3782.6	39.4	1.0%
Clerks & Mailhandlers	19269.6	19088.3	181.3	0.9%	19442.5	19118.1	324.4	1.7%
Cag K Clerks	8.7	8.6	0.1	1.1%	9.7	9.6	0.1	1.0%
City Carriers	13716.2	13571	145.2	1.1%	13787.1	13638.1	149	1.1%
Vehicle Service Drivers	529.9	518.3	11.6	2.2%	523	511.9	11.1	2.1%
Spec. Delivery Messengers	0	0	0		0	0	0	
Rural Carriers	4507.9	4462.7	45.2	1.0%	4399.9	4355.6	44.3	1.0%
Custodial & Maintenance	2799.9	2788.6	11.3	0.4%	2791.9	2780	11.9	0.4%
Motor Vehicle Services	738.3	736.6	1.7	0.2%	724.3	722.7	1.6	0.2%
Miscellaneous Local Operations	361.4	361.2	0.2	0.1%	328	327.8	0.2	0.1%
Contract Transport.	4774.9	4635	139.9	2.9%	4755.1	4619.6	135.5	2.8%
Building Occupancy	1582.7	1582.7	0	0.0%	1633.7	1633.7	0	0.0%
Research & Developmt	45.3	45.3	0	0.0%	45.3	45.3	0	0.0%
Equip. Maint. & Mgmt Training Support	52.5	52.5	0	0.0%	48.5	48.5	0	0.0%
Supplies & Services	4077.4	4070	7.4	0.2%	3814.2	3807.5	6.7	0.2%
HQ, Adminis., Corp. Personnel	5883.5	5883.5	0	0.0%	5767.2	5767.2	0	0.0%
Depreciation, Write-Offs, Claims, Interest	4330.2	4205.4	124.8	2.9%	4274.8	4150	124.8	2.9%
Final Adjustments	9.2	8.6	0.6	6.5%	3	2.8	0.2	6.7%
<b>TOTAL ACCRUED COSTS</b>	<b>68357.5</b>	<b>67642.1</b>	<b>715.4</b>	<b>1.0%</b>	<b>68046.6</b>	<b>67190.6</b>	<b>856</b>	<b>1.3%</b>

OCA/USPS-ST44-14. Please confirm that your FY 2000 estimate of "Supplies & Services" is \$255 million higher than witness Tayman's (\$3805.6 million – 3550.6 million, from Exh. USPS-ST-44A and Exh. USPS 9A, respectively). Explain all underlying assumptions and changes that cause such a dramatic increase in this cost. Cite to testimony, exhibits, or library references that shed light on this phenomenon; also provide any other primary or intermediate sources for the determination of this cost.

OCA/USPS-ST44-15. Please confirm that your TYBR estimate of "Supplies & Services" is \$263.2 million higher than witness Tayman's (\$4077.4 million – 3814.2 million, from Exh. USPS-ST-44A and Exh. USPS 9A, respectively). Explain all underlying assumptions and changes that cause such a dramatic increase in this cost. Cite to testimony, exhibits, or library references that shed light on this phenomenon; also provide any other primary or intermediate sources for the determination of this cost.

OCA/USPS-ST44-16. Please confirm that your FY2000 estimate of "HQ & Area Admin. & Corporate Personnel Costs" is \$96 million higher than witness Tayman's (\$5510.7 million – 5414.7 million, from Exh. USPS-ST-44A and Exh. USPS 9A, respectively). Explain all underlying assumptions and changes that cause such a dramatic increase in this cost. Cite to testimony, exhibits, or library references that shed light on this phenomenon; also provide any other primary or intermediate sources for the determination of this cost.

OCA/USPS-ST44-17. Please confirm that your TYBR estimate of "HQ & Area Admin. & Corporate Personnel Costs" is \$116.3 million higher than witness Tayman's (\$5883.5 million – 5767.2 million, from Exh. USPS-ST-44A and Exh. USPS 9A, respectively). Explain all underlying assumptions and changes that cause such a dramatic increase in this cost. Cite to testimony, exhibits, or library references that shed light on this phenomenon; also provide any other primary or intermediate sources for the determination of this cost.

OCA/USPS-ST-44-18. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the % change in annual index for FY 2000, "CPI-Urban Wage and Clerical Workers," has been an increase of 0.56%, *i.e.*, 3.29% for the revised filing versus 2.73% in the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the CPI-Urban Wage and Clerical Workers index. Also state all cost segments/components directly affected by use of the CPI-Urban Wage and Clerical Workers index.

OCA/USPS-ST-44-19. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the annual index for FY 2000, "ECI—Wages and Salaries—Private Industry," has not been changed, *i.e.*, a 3.22 % index figure is used both in the revised filing and the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the ECI—Wages and Salaries—Private Industry

index. Also state all cost segments/components directly affected by use of the ECI—Wages and Salaries—Private Industry index.

OCA/USPS-ST-44-20. Please refer to Exhibit USPS-ST-44AB. In the table comparing “Key Inflation Indices” in the original filing versus the revised filing, the % change in annual index for FY 2000, “Public Transportation,” has been an increase of 4.67%, *i.e.*, 7.22% for the revised filing versus 2.55% in the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the Public Transportation index. Also state all cost segments/components directly affected by use of the Public Transportation index.

OCA/USPS-ST-44-21. Please refer to Exhibit USPS-ST-44AB. In the table comparing “Key Inflation Indices” in the original filing versus the revised filing, the % change in annual index for FY 2000, “Transportation Services,” has been an increase of 2.39%, *i.e.*, 6.17% for the revised filing versus 3.78% in the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the Transportation Services index. Also state all cost segments/components directly affected by use of the Transportation Services index.

OCA/USPS-ST-44-22. Please refer to Exhibit USPS-ST-44AB. In the table comparing “Key Inflation Indices” in the original filing versus the revised filing, the % change in annual index for FY 2000, “Rent,” has been a decrease of 0.04%, *i.e.*, 3.29% for the revised filing versus 3.33% in the original filing. Please give a ballpark estimate for the

percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the Rent index. Also state all cost segments/components directly affected by use of the Rent index.

OCA/USPS-ST-44-23. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the % change in annual index for FY 2000, "Supplies & Materials," has been an increase of 1.28%, *i.e.*, 4.42% for the revised filing versus 3.14% in the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the Supplies & Materials index. Also state all cost segments/components directly affected by use of the Supplies & Materials index.

OCA/USPS-ST-44-24. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the % change in annual index for FY 2000, "Electricity," has been an increase of 2.94%, *i.e.*, 2.69% for the revised filing versus - 0.25% in the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the Electricity index. Also state all cost segments/components directly affected by use of the Electricity index.

OCA/USPS-ST-44-25. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the % change in annual index for FY 2000, "Gas & Oil," has been an increase of 13.03%, *i.e.*, 30.69% for the revised filing versus 17.66% in the original filing. Please give a ballpark estimate

for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the Gas & Oil index. Also state all cost segments/components directly affected by use of the Gas & Oil index.

OCA/USPS-ST-44-26. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the % change in annual index for FY 2000, "Air Freight," has been a decrease of 1.08%, *i.e.*, 0.90% for the revised filing versus 1.98% in the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the Air Freight index. Also state all cost segments/components directly affected by use of the index.

OCA/USPS-ST-44-27. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the % change in annual index for FY 2000, "Interstate Trucking Costs," has been an increase of 1.16%, *i.e.*, 3.80% for the revised filing versus 2.64% in the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the Interstate Trucking Costs index. Also state all cost segments/components directly affected by use of the Interstate Trucking Costs index.

OCA/USPS-ST-44-28. Please confirm the following statements:

- (a) The Postal Service's *revised* total accrued cost estimate for FY 2000 reflects more current key inflation indices than the *original* total accrued



cost estimate for FY 2000 filed on January 12, 2000. If you do not confirm, then present all reasons for not confirming.

- (b) As a result of the use of more current key inflation indices in the revised filing (versus the original filing), the revised total accrued cost estimate for FY 2000 is likely to be more accurate than the original estimate. If you do not confirm, then present all reasons for not confirming.

OCA/USPS-ST-44-29. Please confirm the following statements:

- (a) The Postal Service's *revised* total accrued cost estimate for the FY 2001 test year reflects more current key inflation indices than the *original* total accrued cost estimate for the FY 2001 test year filed on January 12, 2000. If you do not confirm, then present all reasons for not confirming.
- (b) As a result of the use of more current key inflation indices in the revised filing (versus the original filing), the revised total accrued cost estimate for the FY 2001 test year is likely to be more accurate than the original estimate. If you do not confirm, then present all reasons for not confirming.

OCA/USPS-ST-44-30. For each of the Key Inflation Indices set forth in Exh. USPS-ST-44AB, state the date that original filing inflation index was generated, *i.e.*, for (a) CPI—Urban Wage and Clerical Workers, (b) ECI—Wages and Salaries—Private Industry, (c) Public Transportation, (d) Transportation Services, (e), Rent, (f) Supplies & Materials, (g) Electricity, (h) Gas & Oil, (i) Air Freight, and (j) Interstate Trucking Costs. Then state

how many months later the revised filing inflation index was generated. Provide this information for all Key Inflation Indices used for FY 2000 and FY 2001 (Test Year).

OCA/USPS-ST-44-31. Please refer to USPS-T-9 at 19, lines 3-14. Witness Tayman applied the formula "Employment Cost Index for Wages and Salaries for Private Industry, less one percent, (ECI minus 1) for bargaining units that do not have contracts effective in the test year." Have you applied the same formula, *i.e.*, ECI minus 1, in your revised estimate of bargaining unit wages for the test year (excluding NALC whose contract extends through the test year)? If not, explain fully.

OCA/USPS-ST-44-32. Please refer to the following news item published in *PostCom Bulletin*, July 14, 2000:

STRASSER REVEALS NET LOSS, BOG APPROVES FUNDING. At the July 11 USPS Board of Governors meeting, Acting Chief Financial Officer and Executive Vice President Richard J. Strasser, Jr. . . . that a big portion of the unplanned costs in fiscal year 2000 was due to workers' compensation increases of \$100 million, transportation and fuel cost increases of \$240 million, and cost of living raises of \$50 million. Every penny increase in the price of gasoline adds \$5 million to annual transportation costs.

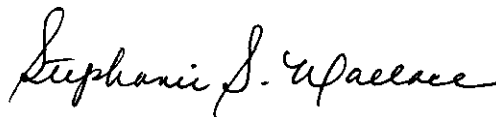
- (a) Has PostCom accurately reported Mr. Strasser's statements to the Board of Governors? If not, please provide the correct figures and state their source.
- (b) Have the cited \$100 million of workers' compensation increases been directly incorporated into the FY 2000 total accrued cost estimate presented in USPS-ST-44A? If so, explain how it has been incorporated,

including citations to testimony, other exhibits, and library references. If this increase has not been incorporated, explain why not.

- (c) Have the cited \$240 million of transportation and fuel increases been directly incorporated into the FY 2000 total accrued cost estimate presented in USPS-ST-44A? If so, explain how it has been incorporated, including citations to testimony, other exhibits, and library references. If this increase has not been incorporated, explain why not.
- (d) Have the cited \$50 million of cost of living raises been directly incorporated into the FY 2000 total accrued cost estimate presented in USPS-ST-44A? If so, explain how it has been incorporated, including citations to testimony, other exhibits, and library references. If this increase has not been incorporated, explain why not.

#### CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.



Stephanie S. Wallace

Washington, D.C. 20268-0001  
July 20, 2000